



Division of Risk Management
777 South Lawrence Street, Suite 200
Montgomery, Alabama 36130
Phone: 334-223-6120
Fax: 334-223-6154
Web Page: <http://www.riskmgt.state.al.us>

STATE OF ALABAMA
Department of Finance
Division of Risk Management

Comprehensive Annual Report
For the Fiscal Year Ended September 30, 2003



Bob Riley
Governor

Drayton Nabors, Jr.
Director of Finance

Jerry Carpenter
General Counsel

Kim Huggins
Acting Risk Manager

TABLE OF CONTENTS

MESSAGE FROM THE RISK MANAGER.....	7
STATE INSURANCE FUND.....	9
GENERAL LIABILITY TRUST FUND.....	12
STATE EMPLOYEE INJURY COMPENSATION TRUST FUND.....	13
RISK MANAGEMENT SERVICES.....	14
EMPLOYEE ASSISTANCE PROGRAM.....	15
DETAILED FINANCIAL AND OTHER REPORTS	16
State Insurance Fund	
Balance Sheet.....	16
Statement of Revenues and Expenses	17
Ten Year Income Summary	18
Notes to Financial Statements	19
Investment Notes	21
Underwriting Expenditures - Ten Year History	22
Revenue Exhibit - Return on Equity.....	23
Loss Experience by Fiscal Year	24
General Liability Trust Fund	
Balance Sheet.....	25
Statement of Revenues and Expenses	26
Ten Year Income Summary	27
Notes to Financial Statements	28
Investment Notes	29
Underwriting Expenditures - Ten Year History	30
State Employee Injury Compensation Trust Fund	
Balance Sheet.....	31
Statement of Revenues and Expenses	32
Notes to Financial Statements	33
Investment Notes	34
Underwriting Expenditures - Nine Year History	35
STAFF	36

MESSAGE FROM THE RISK MANAGER

The 2003 Annual Report provides detailed statistical and financial data regarding the Division of Risk Management's performance in FY 2003. An important part of DORM's operation is successful investment of the equity of each trust fund. Strong investment returns help hold down premiums paid by our client agencies, and assure strong response when disaster strikes.

The Division of Risk Management provides the following services to our clients:

- **The State Insurance Fund (SIF)** provides quality property insurance for state properties, colleges and universities and most public school systems.
- **The General Liability Trust Fund (GLTF)** protects state employees who are subjected to lawsuits arising from the performance of their job duties.
- **The State Employee Injury Compensation Trust Fund (SEICTF)** covers state employees for lost time and medical expenses resulting from accidental injuries while on the job.
- **The Employee Assistance Program** provides counseling and referral for employees with problems that affect job performance.
- **Risk Management Services** delivers an array of skilled services designed to avoid loss, both human and financial.

The 2003 operations of each of these major areas are outlined in this report.

The constant operating philosophy of the Division is that we are a service organization whose objective is to best meet the needs of our client state agencies. Our staff is productive, professional and motivated. We all look forward to serving our clients even better in 2004.

Kim Huggins
Acting Risk Manager

STATE INSURANCE FUND

The State Insurance Fund (SIF) was established in 1923 to provide secure, adequate and economical property insurance on State-owned properties. Our operation closely parallels that of private industry insurance companies in the following ways:

- We establish rates, premium discounts and experience credits to result in equitable premiums charged to the policyholders.
- We adjust and pay losses promptly, recognizing that the SIF has a high obligation to its policyholders due to the legislative act that brought us together.
- We purchase Excess Insurance up to \$500 million per occurrence to protect the State from disasters such as hurricanes and tornadoes.
- We survey properties for safety, loss prevention and property cost evaluations.
- We invest our premiums to keep future costs low and to build fund equity.

SIF clients whose properties have been inspected are offered blanket replacement cost coverage for qualified buildings. This valuable coverage provides full replacement cost coverage in the event of a total loss no matter what insured value is shown. Other valuable coverages are Extra Expense, Electronic Data Processing coverage and Boiler & Machinery which is reinsured by The Travelers.

FY2003 was an active claims year for the fund. Excess Insurance reimburses our losses after \$3,500,000 per occurrence and \$7,500,000 yearly. We are currently being reimbursed for many of our losses and that will continue until all claims are closed. Some of the larger losses for FY2003 are listed below:

- 11/5/2002 – Henry County Board of Education suffered major destruction to Abbeville High School by a tornado. Total incurred loss is \$3,715,499.00
- 11/10/2002 - Walker County Board of Education also sustained extensive damage to Carbon Hill Elementary/Jr High by a tornado. Total incurred loss is \$3,454,761.00
- 12/24/2002 - Wind and lightning storm resulted in various losses totaling \$1,292,919.00
- 4/25/2003 – Lightning and hail storm resulted in various losses totaling \$1,066,205.00
- 5/15/2003 – Etowah County Board of Education sustained extensive damage to their Highland Elementary School building by fire. Total incurred loss is \$2,989,679.00

The SIF is on the right course and will continue its fundamental plan. We recognize the financial obligation arising from extraordinary growth in insured values. In 1995, we insured \$11.8 billion in values. Today, we insure approximately \$25 billion in values. This means our fund equity and financial structure must be adequate to respond and we believe we are positioned to meet the financial demands that are certain to occur in the future.

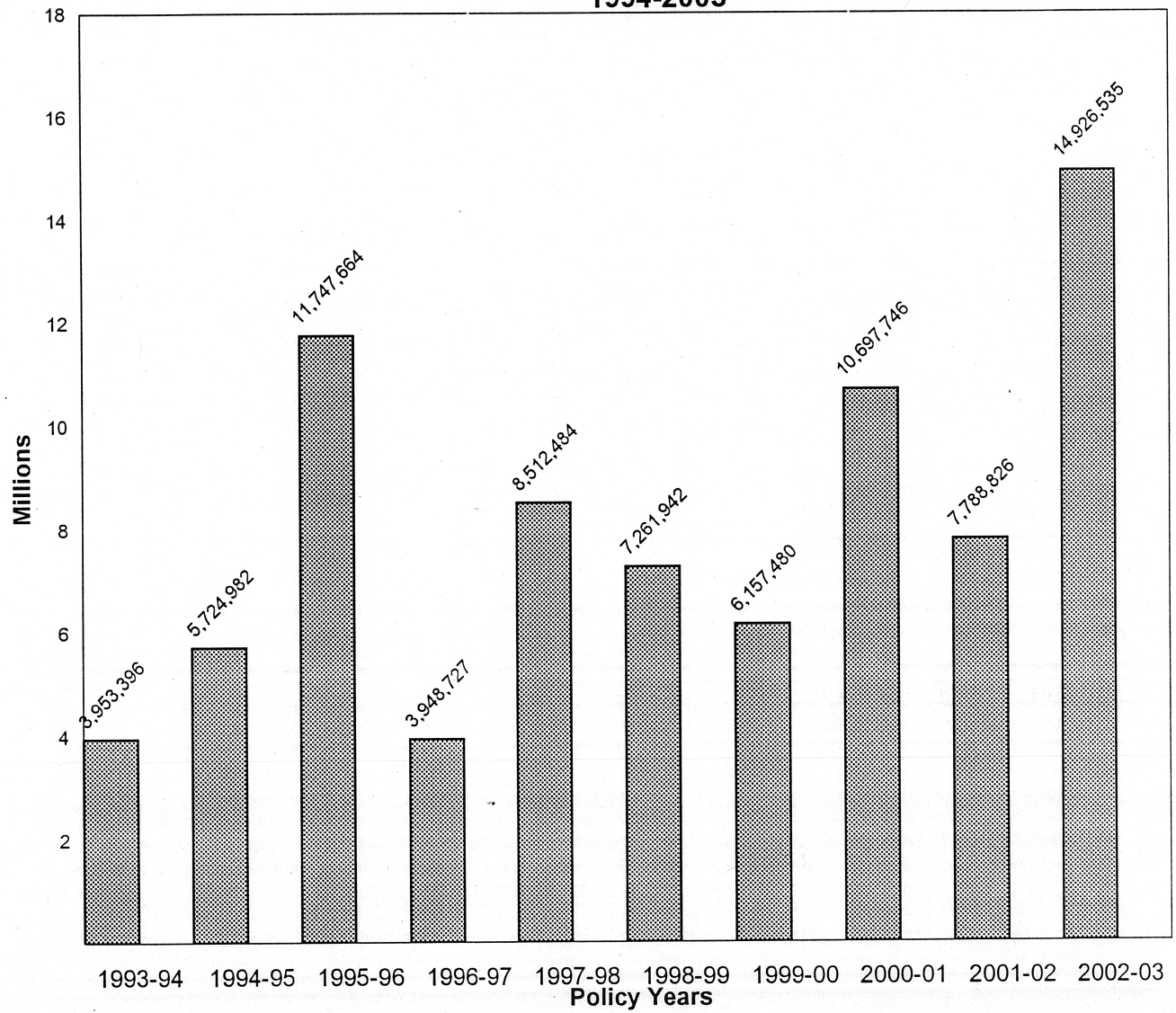
Values Table			
FY	Statewide Insured Values	Value Increase From Previous Year	Increase
2003	24,499,362,104	2,641,099,820	10.78%
2002	21,858,262,284	1,968,635,457	9.01%
2001	19,889,626,827	1,201,401,396	6.04%
2000	18,688,225,431	1,114,330,758	5.96%
1999	17,573,894,673	2,256,317,091	12.84%
1998	15,317,577,582	1,228,452,640	8.02%
1997	14,089,124,942	876,473,448	6.22%
1996	13,212,651,494	1,414,164,335	10.70%

Property Claims Summary Table				
Incurred Losses				
	Number of Claims		Incurred Losses - FY 2003	
Perils	FY 2002	FY 2003	Amount	% of Total
Fire	81	41	\$ 4,151,616	22.33%
Lightning	253	443	\$ 2,559,447	13.76%
Wind	90	239	\$ 8,379,737	45.06%
Burglary	105	116	\$ 195,971	1.05%
Vandalism	29	32	\$ 52,335	0.28%
Hail	5	61	\$ 2,217,613	11.93%
Vehicle	25	20	\$ 30,844	0.17%
Water	72	98	\$ 697,236	3.75%
Boiler & Machinery	17	16	\$ 56,140	0.30%
Collapse	2	4	\$ 10,100	0.05%
Freeze	4	30	\$ 178,577	0.96%
EDP	2	6	\$ 15,500	0.08%
Other	5	11	\$ 51,111	0.27%
Totals	690	1,117	\$ 18,596,227	100%

Claims Summary

	FY 2003	FY 2002	FY 2001	FY 2000
Claims Handled	1,117	690	1,035	840
Outside Adjusted	448	268	538	392
Inside Adjusted	669	422	497	448
Average Claim Size	\$ 16,648	\$ 12,866	\$ 9,110	\$ 8,711

History of Property Losses 1994-2003



GENERAL LIABILITY TRUST FUND

State employees are subject to being sued for their actions in performance of their official duties. The General Liability Trust Fund (GLTF) defends and indemnifies eligible employees for up to \$1 million per occurrence. Coverage is broad and includes automobile liability.

The GLTF sets aside a monetary reserve for each claim in the amount of the ultimate expected loss. Defense is conducted by the Office of the Attorney General in collaboration with GLTF.

Employee Automobile Liability

GLTF provides liability coverage for the operators of more than 7,000 state owned vehicles. These include trucks, tractor-trailer rigs, state trooper and other law enforcement cars, buses and service vehicles, as well as passenger cars. All claims are adjusted by the American Southern Insurance Company.

In addition, more than 6,000 employees regularly use their personal autos in their state jobs. For these individuals, the GLTF coverage is excess of their personal auto insurance. Finally, all state employees are covered for use of any vehicle on state business in the line and scope of employment, whether they regularly do so or not.

Auto Exposure Table

Class	Description	Number of Vehicles Insured				
		FY 2003	FY 2002	FY 2001	FY 2000	FY 1999
001	Private Passenger	1,782	1,971	1,899	1,803	1,854
002	Pickups & Vans	2,865	2,845	2,783	2,390	2,467
003	Trucks & Tractors	1,339	1,340	1,400	1,231	1,310
004	Law Enforcement	981	1,021	1,018	1,056	982
005	Buses	456	499	509	481	469
	Total Vehicles	7,423	7,676	7,609	6,961	7,082

STATE EMPLOYEE INJURY COMPENSATION TRUST FUND

The State Employee Injury Compensation Trust Fund (SEICTF) pays medical costs for on-the-job injuries and compensates injured employees for resulting lost work time. This program is similar to the private sector workers' compensation program.

In 2003:

- Subrogation recoveries exceeded \$202,000.
- There were no recoveries from the excess insurance carrier.
- There was no increase in rates charged to client agencies. Rates charged remain close to half the NCCI loss cost rates for private sector workers' compensation insurance in Alabama.
- There was no increase in administration fees charged to self-funded client agencies.
- Claims administration and management successfully transitioned from a contracted third-party administrator to a staff of merit system employees allowing total management by the in-house staff. Operating expenses were reduced and resulted in a 30% savings of \$1,866,103.
- Collection of prior year charges resulted in additional revenues of \$1,971,305.
- Consultation was provided to State agencies to assist in prevention of exposures and appropriate response when workers are exposed to infectious materials.
- Completed project to vaccinate DOC and DPS personnel at increased risk for exposure to Hepatitis B. Over 3,400 immunizations were administered.
- Early Return to Work initiatives resulted in 180 lost time claims compared to 250 in 2002.

RISK MANAGEMENT SERVICES

Pursuit Driver Training Courses for covered law enforcement personnel are available to state agencies through DORM.

A Boiler Operator Training Course for boiler operators and maintenance personnel is conducted annually at no cost for agencies which participate in the State Insurance Fund. The course focuses on proper maintenance and safe operation of pressurized equipment. The 2003 course was attended by more than 100 agency representatives.

More than 2,800 boilers and other items of pressurized equipment were inspected during 2003. These inspections assist agencies in identifying and correcting conditions that could result in sudden breakdown, property damage and personal injury.

Two seminars for state attorneys who defend General Liability Trust Fund cases were co-sponsored by DORM and the Office of the Attorney General.



THE EMPLOYEE ASSISTANCE PROGRAM

The State Employee Assistance Program (EAP) provides services to 112 state agencies and departments covering more than 22,800 employees and family members.

The EAP operates similarly to most broad based EAP services in the private sector. The program is designed to help employees become more effective in their job performance by providing professional, confidential counseling and assistance with various problems. EAP deals with issues such as supervisor/employee conflict, personal finances, marital and family disruptions, drug and alcohol abuse, and emotional and mental stresses.

In 2003:

- There were 140 intake assessments, 240 cases overall and 350 follow-up visits. A total of 803 service hours were provided to clients.
- Females represented 59% of clients, males 41%. Family members of employees represented 21% of total participation.
- 41% of clients were minority individuals.
- Emotional problems were the most frequent primary issue for clients (48%), followed by marital/family issues (17.5%) and work-related issues (10%).
- 17% of clients had 16 or more years of state service.
- Supervisor/employee conflict was the most frequently reported work performance problem, followed by (2) problems with fellow employees and (3) quality/quantity of work performed.
- 33% of clients became aware of the program's services through their supervisor.
- 25% of clients had some college education, 33% had a college degree, and 7% had an advanced degree.
- 72% of clients are between the age of 35 and 59.
- 49% of clients are married.

**STATE INSURANCE FUND
BALANCE SHEET
UNAUDITED
AS OF SEPTEMBER 30, 2003**

ASSETS	<u>FY 2003</u>	<u>FY 2002</u>	<u>FY 2001</u>
Cash and Cash Equivalents	\$1,010,302	\$1,546,610	\$1,073,425
Accounts Receivable	185,150	435,290	10,417
Due From Other Funds	5,517		
Accrued Interest Receivable	283,258	529,213	533,176
Investments:			
Securities	35,431,366	39,026,274	43,486,319
Alabama Incentives Financing Authority	33,874,000	33,366,000	32,865,000
Real Estate	17,660,392	18,169,540	18,527,824
Prepaid Insurance	4,944,711	4,281,875	2,520,625
Fixed Assets (Net)	65,133	89,038	131,123
TOTAL Assets	<u>\$93,459,829</u>	<u>\$97,443,840</u>	<u>\$99,147,909</u>
 LIABILITIES & FUND EQUITY			
Current Liabilities:			
Accounts Payable	\$42,908	\$191,280	\$57,939
Total Current Liabilities	<u>42,908</u>	<u>191,280</u>	<u>57,939</u>
Liabilities for Unpaid Claims:			
Unpaid Claims & Expenses	7,706,570	7,121,103	6,551,521
Claims Incurred But Not Reported	700,779	733,062	1,463,587
Total Claim Liabilities	<u>8,407,349</u>	<u>7,854,165</u>	<u>8,015,108</u>
TOTAL Liabilities	8,450,257	8,045,445	8,073,047
Fund Equity:			
Contributed Capital	460,000	460,000	
Fund Balance	84,549,572	88,938,395	91,074,862
	<u>85,009,572</u>	<u>89,398,395</u>	<u>91,074,862</u>
TOTAL Liabilities & Fund Equity	<u>\$93,459,829</u>	<u>\$97,443,840</u>	<u>\$99,147,909</u>

STATE INSURANCE FUND
STATEMENT OF REVENUE AND EXPENSES
UNAUDITED
SEPTEMBER 30, 2003

	<u>FY 2003</u>	<u>FY 2002</u>	<u>FY 2001</u>
REVENUES:			
Earned Premiums	\$16,718,865	\$12,360,840	\$11,504,086
Recoveries	163,817	16,451	28,529
Investment Income	3,388,881	(576,214)	2,366,716
Other Income	26,447	97,371	3,188,538
TOTAL REVENUES	\$20,298,010	\$11,898,448	\$17,087,869
EXPENSES:			
OPERATION:			
Loss and Adjustment Expenses	\$14,958,818	\$8,519,351	\$10,687,754
Incurred But Not Reported Expense	(32,283)	(730,525)	9,992
Reinsurance Expense	9,220,295	6,818,750	4,625,350
Actuarial Services	12,000	12,130	11,560
Investment Expenses	160,560	222,588	182,429
Legal Fees (Cost Allocation Defense)	210	153,616	274,053
Total Operation	24,319,600	14,995,910	15,791,138
ADMINISTRATION:			
Personnel Salaries	716,994	638,362	574,825
Employee Benefits	170,932	156,357	134,328
Travel In-State	30,948	34,088	32,440
Travel Out-of-State	144	3,339	3,000
Repairs and Maintenance	29,064	21,058	624
Rentals and Leases	2,621	2,424	2,764
Utilities and Communication	17,590	19,885	14,970
Professional Services - Non-Claim	82,290	108,501	149,291
Supplies, Materials & Operating Expense	34,215	191,706	32,246
Transportation Equipment Operations	10,250	8,305	8,243
Depreciation Expense	53,192	57,624	70,946
Total Administration	1,148,240	1,241,649	1,023,677
TOTAL EXPENSES	25,467,840	16,237,559	16,814,815
NET REVENUES	(\$5,169,830)	(\$4,339,111)	\$273,054

STATE INSURANCE FUND
Underwriting Revenues and Expenditures
Other Revenues and Expenditures
Ten Year Income Summary

	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94
UNDERWRITING REVENUES:										
Earned Premium	16,718,865	12,360,840	11,504,086	10,611,168	10,258,420	11,241,583	10,327,384	10,412,815	9,499,058	8,973,580
UNDERWRITING EXPENSES:										
Claims and Expenses Paid	14,373,351	7,949,769	9,689,827	5,319,982	10,188,763	5,545,411	8,928,710	7,928,188	5,544,523	4,854,099
Claims and Expenses Unpaid	585,467	569,582	997,927	724,523	(145,714)	(631,543)	(5,503,094)	3,819,476	707,459	(903,805)
IBNR Expenses	(32,283)	(730,525)	9,992	112,975	(2,781,107)	3,598,616	523,111	(527,000)		3,102
Total Losses Incurred	14,926,535	7,788,826	10,697,746	6,157,480	7,261,942	8,512,484	3,948,727	11,747,664	5,724,982	3,953,396
Less Recoveries	163,817	16,451	28,529	91,560	44,540	309,709	1,591,592	406,032	1,049,479	508
Net Claims	14,762,718	7,772,375	10,669,217	6,065,920	7,217,402	8,202,775	2,357,135	11,341,632	4,675,503	3,952,888
Insurance Rating Services							1,022	10,384	5,303	1,916
Actuarial Services	12,000	12,130	11,560	11,030	25,564	29,981	43,747	11,140	8,289	25,000
Reinsurance Premium	9,220,295	6,818,750	4,625,350	3,720,562	4,057,885	3,945,428	3,471,031	3,401,536	3,412,891	2,918,638
Administrative Expenses	1,148,240	1,241,649	1,023,677	905,797	1,127,719	1,057,148	889,797	953,491	1,070,968	929,620
Net Claims and Expenses	25,143,253	15,844,904	16,329,804	10,703,309	12,428,570	13,235,332	6,762,732	15,718,183	9,172,954	7,828,062
Net Underwriting Revenues	(8,424,388)	(3,484,064)	(4,825,718)	(92,141)	(2,170,150)	(1,993,749)	3,564,653	(5,305,368)	326,104	1,145,518
OTHER REVENUES:										
Investment Income	3,388,881	(576,214)	2,366,716	4,856,766	4,826,420	3,207,728	4,518,319	4,615,308	6,495,559	5,652,592
Other Income	26,447	97,371	3,188,538	348,119	19,369		287	20	32,112	83,303
Total Other Revenues	3,415,328	(478,843)	5,555,254	5,204,885	4,845,789	3,207,728	4,518,606	4,615,328	6,527,671	5,735,895
OTHER EXPENSES:										
Appraisal Services							5,245			1,495
Investment Expenses	160,560	222,588	182,429	236,109	157,820	612,809	119,908	104,883	129,264	143,094
Penalty Expense						3,467,825				
Prior Period Adjustments				58,984						
Legal Defense Fees				174,188						
Total Other Expenses	160,770	376,204	456,482	469,281	182,121	4,111,221	501,224	156,785	317,935	482,447
Net Other Revenues	3,254,558	(855,047)	5,098,772	4,735,604	4,663,668	(903,493)	4,017,382	4,458,543	6,209,736	5,253,448
NET REVENUES	(5,169,830)	(4,339,111)	273,054	4,643,463	2,493,518	(2,897,242)	7,582,035	(846,825)	6,535,840	6,398,966

STATE INSURANCE FUND NOTES TO FINANCIAL STATEMENTS

Fund Balance

An acceptable Fund Balance is required in accordance with actuarial studies to protect the financial integrity of the Fund. This balance is reserved to pay for future losses, primarily catastrophic claims. It provides an immediate source of funds to local schools and State agencies to rebuild or replace buildings and contents.

Recoveries

Recoveries include subrogation against negligent third parties who caused damage to insured property, payments by insurance companies which provide coverage primary to that of SIF, ie., Boiler and Machinery insurance coverage and payments by reinsurers.

Investment Expenses

These consist of utilities, fees, maintenance and miscellaneous costs for leasing owned real estate.

Legal Fees

The fees are defense costs on a claim against the SIF by the United States, Department of Health and Human Services, Division of Cost Allocation. This claim arose as a result of legislative appropriations from the SIF in the 1980's.

STATE INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS - Continued

Loss Liabilities and Expenses

Loss liabilities and expense reserving is required by the Governmental Accounting Standards Board - Statement Number Ten, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues." Losses are recorded as current liabilities and expenses in the year reported. SIF losses are estimated liability claims reported and in process of settlement. IBNR recognizes losses that have occurred but have not yet been reported. This liability and expense is determined by a professional actuary. The property claims filed are generally reported in the year of occurrence except those losses filed at the end of the fiscal year.

Unpaid Reported Claims Liabilities:	<u>2003</u>	<u>2002</u>
Unpaid claims and adjustment expenses at beginning of year	\$ 7,121,103	\$ 6,551,521
Incurred Claims and Adjustment Expenses:		
Provision for insured events of the current year	9,274,467	5,111,611
Increase (Decrease) in provision for insured events of prior years	<u>5,684,351</u>	<u>3,407,740</u>
Total incurred claims and adjustment expenses	14,958,818	8,519,351
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	7,664,895	2,296,674
Claims and adjustment expenses attributable to insured events of prior years	<u>6,708,456</u>	<u>5,653,095</u>
Total Payments	14,373,351	7,949,769
Total unpaid claims and adjustment expenses at end of year	7,706,570	7,121,103
Incurred But Not Reported (IBNR):		
Incurred but not reported at beginning of year	733,062	1,463,587
Increase (Decrease) in incurred but not reported	<u>(32,283)</u>	<u>(730,525)</u>
Incurred but not reported at end of year	700,779	733,062
Total Unpaid Reported Claims Liabilities and IBNR at end of year	<u>\$ 8,407,349</u>	<u>\$ 7,854,165</u>

STATE INSURANCE FUND INVESTMENT NOTES

Status - September 30, 2003	<u>2003</u>	<u>2002</u>	<u>% Change</u>
Alabama Incentives Financing Authority	\$ 33,874,000	\$ 33,366,000	1.5
Government National Mortgage Association	4,814,988	5,564,779	(13.5)
Other Government Agencies	14,298,206	21,124,650	(32.3)
Commercial Paper	9,448,578	6,076,069	55.5
Corporate Bonds and Notes	1,021,875	1,051,949	(2.9)
Common and Preferred Stock	<u>5,847,719</u>	<u>5,208,827</u>	<u>12.3</u>
Total Cash Securities	69,305,366	72,392,274	(4.3)
Real Property (Buildings Depreciated)	<u>17,660,392</u>	<u>18,169,540</u>	<u>(2.8)</u>
Total Investments	<u>\$ 86,965,758</u>	<u>\$ 90,561,814</u>	<u>(4.0)</u>

Investment Income

Interest Earned	\$ 3,010,981	\$ 3,376,273	(10.8)
Change in Fair Value of Investments	(102,586)	(4,574,359)	97.8
Stock Dividends	83,324	82,862	0.6
Amortization/Depr Income	(334,279)	(190,179)	75.8
Rental Income	<u>731,441</u>	<u>729,189</u>	<u>0.3</u>
Total Investment Income	<u>\$ 3,388,881</u>	<u>\$ (576,214)</u>	<u>(688.1)</u>

STATE INSURANCE FUND
Underwriting Expenses
(Claims and Expenses Paid)
Ten Year History

Fiscal Year	<u>Policy Year of Claim</u>										
	TOTAL	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
1994	599,888										599,888
1995	2,885,971									1,382,581	1,503,390
1996	7,498,835								4,451,924	2,198,564	848,347
1997	8,923,210							2,482,732	4,970,436	775,977	694,065
1998	5,545,411						2,322,867	1,857,068	858,255	507,221	
1999	9,983,157					6,352,944	1,997,692	149,200	1,483,321		
2000	5,319,982				2,325,861	2,768,444	171,234	54,443			
2001	9,689,827			4,302,954	3,195,300	1,751,058	70,619				
2002	7,949,769		2,296,674	4,068,464	1,555,027	29,604			369,896		
2003	14,373,351	7,664,895	5,413,330	1,290,358	4,768						

STATE INSURANCE FUND REVENUE EXHIBIT
RETURN ON EQUITY (R O E)

Fiscal Year	FUND EQUITY	NET REVENUES		UNDERWRITING NET REVENUES		INVESTMENT NET REVENUES	
2003	85,009,572	(5,169,830)	-5.9%	(8,424,388)	-9.7%	3,228,321	3.7%
2002	89,398,395	(4,339,111)	-4.8%	(3,484,064)	-3.9%	(798,802)	-0.9%
2001	91,074,862	273,054	0.3%	(4,825,718)	-5.3%	2,184,287	2.4%
2000	89,772,044	4,643,463	5.3%	(92,141)	-0.1%	4,620,657	5.3%
1999	84,734,741	2,493,518	3.7%	(2,170,150)	-3.2%	4,668,600	6.8%
* 1998	51,724,659	(2,897,242)	-5.6%	(1,993,749)	-3.8%	2,594,919	5.0%
* 1997	51,918,635	7,582,035	15.8%	3,564,653	7.4%	4,393,166	9.1%
* 1996	44,276,678	(846,825)	-1.4%	(5,305,368)	-8.8%	4,510,425	7.5%
1995	76,301,869	6,535,840	9.0%	326,104	0.4%	6,366,295	8.7%
1994	69,435,229	6,398,966	9.2%	1,145,518	1.6%	5,508,003	7.9%
Average Return On Equity			2.3%			-2.4%	4.9%

* Excludes the Alabama Incentives Financing Authority \$30 Million bond - no income was recorded. This bond served only to reduce the returns on investment and fund liquidity.

STATE INSURANCE FUND LOSS EXPERIENCE

BY FISCAL YEAR

	2002-2003	2001-2002	2000-2001	1999-2000	1998-99
Earned Premium	\$16,718,865	\$12,360,840	\$11,504,086	\$10,611,168	\$10,258,420
Less Reinsurance Cost	9,220,295	6,818,750	4,625,350	3,720,562	4,057,885
Net Premium	\$7,498,570	\$5,542,090	\$6,878,736	\$6,890,606	\$6,200,535
Losses Incurred	14,373,351	7,949,769	9,689,827	5,319,982	10,188,763
Loss and Expense Incurred	585,467	569,582	997,927	724,523	(145,714)
Loss Incurred But Not Reported	(32,283)	(730,525)	9,992	112,975	(2,781,107)
Total Losses Incurred	\$14,926,535	\$7,788,826	\$10,697,746	\$6,157,480	\$7,261,942
Less Recoveries	163,817	16,451	28,529	91,560	44,540
Net Losses	\$14,762,718	\$7,772,375	\$10,669,217	\$6,065,920	\$7,217,402
Loss Ratio	196.9%	140.2%	155.1%	88.0%	116.4%

*Loss Ratio = Net Losses divided by Net Premium.

**GENERAL LIABILITY TRUST FUND
BALANCE SHEET
UNAUDITED
AS OF SEPTEMBER 30, 2003**

ASSETS	<u>FY 2003</u>	<u>FY 2002</u>	<u>FY 2001</u>
Cash and Cash Equivalents	\$ 734,624	\$ 1,169,118	\$ 559,684
Accounts Receivable	-	1,502,911	1,424,830
Due From Other Funds	-	535	2,243
Accrued Interest Receivable	188,336	343,621	312,515
Investments	24,318,002	22,486,939	21,177,611
Prepaid Reinsurance	<u>441,495</u>	<u>350,000</u>	<u>290,334</u>
 TOTAL Assets	 <u>\$ 25,682,457</u>	 <u>\$ 25,853,124</u>	 <u>\$ 23,767,217</u>
 LIABILITIES & FUND EQUITY			
Current Liabilities:			
Accounts Payable	\$ 17,963	\$ 58,037	\$ 22,966
 Liabilities for Unpaid Claims:			
Unpaid Claims & Expenses	15,158,593	9,811,469	5,717,009
Claims Incurred But Not Reported	<u>12,033,990</u>	<u>10,777,309</u>	<u>11,019,711</u>
 Total Claim Liabilities	 27,192,583	 20,588,778	 16,736,720
 TOTAL Liabilities	 27,210,546	 20,646,815	 16,759,686
 Fund Equity:			
Fund Balance	<u>(1,528,089)</u>	<u>5,206,309</u>	<u>7,007,531</u>
 TOTAL Liabilities & Fund Equity	 <u>\$ 25,682,457</u>	 <u>\$ 25,853,124</u>	 <u>\$ 23,767,217</u>

**GENERAL LIABILITY TRUST FUND
STATEMENT OF REVENUE AND EXPENSES
UNAUDITED
SEPTEMBER 30, 2003**

	<u>FY 2003</u>	<u>FY 2002</u>	<u>FY 2001</u>
REVENUES:			
Earned Premiums	\$ 7,761,570	\$ 7,607,325	\$ 7,369,736
Interest Income - Investments	950,678	1,218,784	1,665,939
Recoveries	7,679	600	2,386
Other Income	-	15,119	-
TOTAL REVENUES	\$ 8,719,927	\$ 8,841,828	\$ 9,038,061
EXPENSES:			
OPERATION:			
Loss and Adjustment Expenses	\$ 9,387,632	\$ 8,277,483	\$ 5,169,550
Incurred But Not Reported Expense	1,256,681	(242,402)	1,649,106
Reinsurance Expense	4,019,655	2,156,788	1,857,947
Actuarial Services	10,000	10,475	9,985
Total Operation	14,673,968	10,202,344	8,686,588
ADMINISTRATION:			
Personnel Salaries	303,926	252,359	241,255
Employee Benefits	76,205	61,066	54,924
Travel In-State	7,410	10,575	10,125
Travel Out-of-State	-	-	3,292
Repairs and Maintenance	29,805	20,991	892
Rentals and Leases	1,908	2,002	2,031
Utilities and Communication	9,842	16,970	13,936
Professional Services - Non-Claim	33,033	89,845	55,615
Supplies, Materials & Operating Expense	24,393	17,207	15,806
Transportation Equipment Operations	1,562	3,400	2,267
Grants & Benefits	-	3,875	-
Total Administration	488,084	478,290	400,143
TOTAL EXPENSES	15,162,052	10,680,634	9,086,731
NET REVENUES	\$ (6,442,125)	\$ (1,838,806)	\$ (48,670)

GENERAL LIABILITY TRUST FUND
Underwriting Revenues and Expenses
Other Revenues and Expenses
Ten Year Income Summary

	<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>	<u>1998-99</u>	<u>1997-98</u>	<u>1996-97</u>	<u>1995-96</u>	<u>1994-95</u>	<u>1993-94</u>
UNDERWRITING REVENUES:										
Earned Premium	\$ 7,761,570	\$ 7,607,325	\$ 7,369,736	\$ 7,363,084	\$ 7,269,520	\$ 7,606,156	\$ 5,862,140	\$ 4,748,927	\$ 1,167,261	\$ 4,177,072
UNDERWRITING EXPENSES:										
Losses and Adjustments										
Loss Expenses	4,798,492	4,015,847	3,413,072	2,589,829	3,620,757	1,094,727	800,676	1,396,225	2,268,215	2,579,450
Adjustment Expenses	4,589,140	4,261,636	1,756,478	1,202,739	1,186,688	1,042,305	1,435,956	1,427,689	1,355,921	551,743
IBNR Expenses	1,256,681	(242,402)	1,649,106	(1,196,798)	(1,552,032)	3,126,985	(2,369,714)	(1,774,586)	(3,221,021)	5,039,521
Total Losses Incurred	10,644,313	8,035,081	6,818,656	2,595,770	3,255,413	5,264,017	(133,082)	1,049,328	403,115	8,170,714
Less Recoveries	7,679	600	2,386	1,843	150	170,977	481,920	4,397	-	-
Net Claims	10,636,634	8,034,481	6,816,270	2,593,927	3,255,263	5,093,040	(615,002)	1,044,931	403,115	8,170,714
Reinsurance Premium - Liability	-	290,333	517,667	454,667	334,950	374,900	437,761	456,833	610,000	586,932
Reinsurance Premium - Automobile	4,019,655	1,866,455	1,340,280	2,389,277	1,944,327	2,288,064	2,115,174	2,264,212	2,234,467	2,475,996
Actuarial Services	10,000	10,475	9,985	9,500	4,988	19,040	35,994	5,700	6,620	20,000
Professional Services-non claim	-	-	-	12,838	-	-	-	-	-	-
Administrative Expenses	488,084	478,290	400,143	474,285	536,187	559,106	551,644	414,536	538,396	581,414
Net Underwriting Expenses	15,154,373	10,680,034	9,084,345	5,934,494	6,075,715	8,334,150	2,525,571	4,186,212	3,792,598	11,835,056
Net Underwriting Revenues	(7,392,803)	(3,072,709)	(1,714,609)	1,428,590	1,193,805	(727,994)	3,336,569	562,715	(2,625,337)	(7,657,984)
OTHER REVENUES:										
Investment Income	950,678	1,218,784	1,665,939	590,281	945,845	1,252,740	1,067,478	947,572	1,141,368	1,351,007
Other Income	-	15,119	-	450	-	-	-	-	-	-
Net Other Revenues	950,678	1,233,903	1,665,939	590,731	945,845	1,252,740	1,067,478	947,572	1,141,368	1,351,007
Net Revenues Before Transfers	(6,442,125)	(1,838,806)	(48,670)	2,019,321	2,139,650	524,746	4,404,047	1,510,287	(1,483,969)	(6,306,977)
Transfers-In from Other State Funds	-	-	-	-	-	-	-	-	-	18,910
NET REVENUES	\$ (6,442,125)	\$ (1,838,806)	\$ (48,670)	\$ 2,019,321	\$ 2,139,650	\$ 524,746	\$ 4,404,047	\$ 1,510,287	\$ (1,483,969)	\$ (6,288,067)

**GENERAL LIABILITY TRUST FUND
NOTES TO FINANCIAL STATEMENTS**

Loss Liabilities and Expenses

Loss liabilities and expense reserving is required by the Governmental Accounting Standards Board - Statement Number Ten, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues." Losses are recorded as current liabilities and expenses in the year reported. IBNR recognizes losses that have occurred but have not yet been reported. This liability and expense is determined by a professional actuary.

Unpaid Reported Claims Liabilities:	<u>2003</u>	<u>2002</u>
Unpaid claims and adjustment expenses at beginning of year	\$ 9,811,469	\$ 5,717,009
Incurred Claims and Adjustment Expenses:		
Provision for insured events of the current year	1,408,145	2,979,894
Increase (Decrease) in provision for insured events of prior years	<u>7,979,487</u>	<u>5,297,589</u>
Total incurred claims and adjustment expenses	9,387,632	8,277,483
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	1,006,310	1,251,418
Claims and adjustment expenses attributable to insured events of prior years	<u>3,034,198</u>	<u>2,931,605</u>
Total Payments	4,040,508	4,183,023
Total unpaid claims and adjustment expenses at end of year	15,158,593	9,811,469
Incurred But Not Reported (IBNR):		
Incurred but not reported at beginning of year	10,777,309	11,019,711
Increase (Decrease) in incurred but not reported	<u>1,256,681</u>	<u>(242,402)</u>
Incurred but not reported at end of year	12,033,990	10,777,309
Total Unpaid Reported Claims Liabilities and IBNR at end of year	<u>\$ 27,192,583</u>	<u>\$ 20,588,778</u>

GENERAL LIABILITY TRUST FUND

INVESTMENT NOTES

Status - September 30, 2003

	<u>2003</u>	<u>2002</u>	<u>% Change</u>
Government National Mortgage Association	\$ 295,782	\$ 449,442	(34.2)
Other Government Securities	16,177,471	17,695,449	(8.6)
Commercial Paper	<u>7,844,749</u>	<u>4,342,048</u>	<u>80.7</u>
Total Investments	<u>\$ 24,318,002</u>	<u>\$ 22,486,939</u>	<u>8.1</u>
Investment Income	<u>\$ 950,678</u>	<u>\$ 1,218,784</u>	<u>(22.0)</u>

GENERAL LIABILITY TRUST FUND
Underwriting Expenses
(Claims and Expenses Paid)
Ten Year History

Fiscal Year	<u>Policy Year of Claim</u>										
	TOTAL	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
1994	8,863										8,863
1995	1,245,461									497,404	748,057
1996	1,354,372								1,017,947	150,787	185,638
1997	2,633,216							699,963	1,151,801	274,477	506,975
1998	2,377,262						633,503	551,999	843,314	243,575	104,871
1999	4,225,948					2,196,683	433,117	985,520	259,215	74,661	276,752
2000	2,927,447				447,824	2,006,961	208,899	230,981	9,364	17,823	5,595
2001	3,910,954			15,193	166,918	3,399,725	20,358	90,613	80,161	46,572	91,414
2002	4,183,023		1,251,418	830,891	185,186	1,231,833	488	83,026	379,354	41,601	179,226
2003	4,040,508	1,006,310	1,447,314	1,070,090	419,289	37,862	296	4,008		55,329	10

STATE EMPLOYEE INJURY COMPENSATION TRUST FUND
BALANCE SHEET
UNAUDITED
AS OF SEPTEMBER 30, 2003

ASSETS	FY 2003	FY 2002	FY 2001
Cash and Cash Equivalents	\$ 1,243,288	\$ 1,536,843	\$ 601,577
Due From Other Funds	36,542	216,636	6
Accrued Interest Receivable	99,828	154,744	218,141
Investments	16,846,225	13,848,874	15,113,359
Prepaid Reinsurance	105,843	90,848	75,530
Deposit with Claims Paying Agent	-	264,000	160,000
TOTAL Assets	\$ 18,331,726	\$ 16,111,945	\$ 16,168,613
LIABILITIES & FUND EQUITY			
Current Liabilities:			
Accounts Payable	\$ 26,528	\$ 338,588	\$ 40,250
SEICTF Self Insured Deposits	257,000	212,000	212,000
Total Current Liabilities	283,528	550,588	252,250
Liabilities for Unpaid Claims:			
Unpaid Claims & Expenses	5,486,098	4,702,785	3,926,111
Claims Incurred But Not Reported	4,674,702	3,421,104	2,780,743
Total Claim Liabilities	10,160,800	8,123,889	6,706,854
TOTAL Liabilities	10,444,328	8,674,477	6,959,104
Fund Equity:			
Fund Balance	7,887,398	7,437,468	9,209,509
TOTAL Liabilities & Fund Equity	\$ 18,331,726	\$ 16,111,945	\$ 16,168,613

STATE EMPLOYEE INJURY COMPENSATION TRUST FUND
STATEMENT OF REVENUE AND EXPENSES
UNAUDITED
SEPTEMBER 30, 2003

	<u>FY 2003</u>	<u>FY 2002</u>	<u>FY 2001</u>
REVENUES:			
Earned Premiums	\$ 2,837,069	\$ 2,690,414	\$ 2,933,760
Interest Income - Investments	631,253	864,622	1,089,787
Subrogation Recoveries	202,360	147,346	56,402
Prior Year Refund	1,971,705	-	52,813
Other Income - Administrative Fees	<u>1,429,283</u>	<u>1,520,606</u>	<u>1,436,346</u>
TOTAL REVENUES	7,071,670	5,222,988	5,569,108
EXPENSES:			
OPERATION:			
Loss and Adjustment Expenses	1,464,296	3,698,763	2,618,266
Incurred But Not Reported Expense	1,253,598	640,361	(162,926)
Reinsurance Expense	408,376	361,983	309,756
Actuarial Services	21,180	51,007	19,385
Professional Services	<u>1,116,522</u>	<u>1,377,960</u>	<u>1,671,071</u>
Total Operation	4,263,972	6,130,074	4,455,553
ADMINISTRATION:			
Personnel Salaries	593,410	252,329	251,131
Employee Benefits	184,057	70,671	55,541
Travel In-State	400	650	1,499
Repairs and Maintenance	8,635	38,013	12,418
Rentals and Leases	3,929	1,658	2,242
Utilities and Communication	39,869	52,499	38,000
Professional Services - Non-Claim	60,267	365,523	114,771
Supplies, Materials & Operating Exper	44,886	44,391	39,092
Transportation Equipment Operations	<u>60</u>	<u>300</u>	<u>200</u>
Total Administration	935,513	826,034	514,894
TOTAL EXPENSES	<u>5,199,485</u>	<u>6,956,108</u>	<u>4,970,447</u>
NET REVENUES	\$ <u>1,872,185</u>	\$ <u>(1,733,120)</u>	\$ <u>598,662</u>

STATE EMPLOYEES INJURY COMPENSATION TRUST FUND
NOTES TO FINANCIAL STATEMENTS

Loss Liabilities and Expenses

Loss liabilities and expense reserving is required by the Governmental Accounting Standards Board - Statement Number Ten, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues." Losses are recorded as current liabilities and expenses in the year reported. SEICTF losses are estimated liability claims reported and in process of settlement. IBNR recognizes losses that have occurred but have not yet been reported. This liability and expense is determined by a professional actuary. Employee injury claims filed are generally reported in the year of occurrence except those losses filed at the end of the fiscal year. Those claims that have been reported are likely to be understated because of unknown medical expense.

Unpaid Reported Claims Liabilities:	<u>2003</u>	<u>2002</u>
Unpaid claims and adjustment expenses at beginning of year	\$ 4,702,785	\$ 3,926,111
Incurred Claims and Adjustment Expenses:		
Provision for insured events of the current year	843,397	739,753
Increase (Decrease) in provision for insured events of prior years	<u>1,877,240</u>	<u>2,959,010</u>
Total incurred claims and adjustment expenses	2,720,637	3,698,763
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	600,570	584,418
Claims and adjustment expenses attributable to insured events of prior years	<u>1,336,754</u>	<u>2,337,671</u>
Total Payments	1,937,324	2,922,089
Total unpaid claims and adjustment expenses at end of year	5,486,098	4,702,785
Incurred But Not Reported (IBNR):		
Incurred but not reported at beginning of year	3,421,104	2,780,743
Increase (Decrease) in incurred but not reported	<u>1,253,598</u>	<u>640,361</u>
Incurred but not reported at end of year	4,674,702	3,421,104
Total Unpaid Reported Claims Liabilities and IBNR at end of year	<u>\$ 10,160,800</u>	<u>\$ 8,123,889</u>

STATE EMPLOYEE INJURY COMPENSATION TRUST FUND

INVESTMENT NOTES

Status - September 30, 2003

	<u>2003</u>	<u>2002</u>	<u>% Change</u>
Commercial Paper			
and Other Short Term Securities	\$ 6,974,973	\$ 3,756,925	85.7
U. S. Agency Securities	<u>9,871,252</u>	<u>10,091,949</u>	<u>(2.2)</u>
Total Investments	<u>\$ 16,846,225</u>	<u>\$ 13,848,874</u>	<u>21.6</u>

Investment Income	<u>\$ 631,253</u>	<u>\$ 864,622</u>	<u>(27.0)</u>
-------------------	-------------------	-------------------	---------------

STATE EMPLOYEE INJURY COMPENSATION TRUST FUND
Underwriting Expenditures
(Claims and Expenses Paid)
Nine Year History

Fiscal Year	Total	<u>Policy Year of Claim</u>								
		2003	2002	2001	2000	1999	1998	1997	1996	1995
1995 *	410,945									410,945
1996	2,736,679								1,843,975	892,704
1997	2,797,761							1,477,218	994,260	326,283
1998	2,986,997						347,888	1,714,292	702,972	221,845
1999	1,753,553					208,497	57,131	853,112	464,299	170,514
2000	1,599,518				262,641	(478,794)	571,892	683,213	392,680	167,886
2001	2,849,303			541,368	386,617	694,847	349,821	422,446	338,999	115,205
2002	2,922,089		584,418	(581,797)	993,554	611,352	354,924	580,686	272,682	106,270
2003	1,937,324	600,570	(2,039,715)	1,712,015	444,360	370,153	196,270	320,235	303,284	30,152

* The 1994 legislature established the State Employee Injury Compensation Trust Fund effective October 1, 1994.

Staff

ACTING RISK MANAGER

Kim Huggins

ADMINISTRATIVE

Marilyn Tucker
Joyce Gassett
Laura Robinson

INFORMATION SYSTEMS

Becky Cole
Sharon Henderson

CLAIMS

Kim Huggins
Leigh Warner
Dorothy Roberts
Teresa Nobles

EMPLOYEE ASSISTANCE

Sam Boswell

LOSS CONTROL

Jack Pierce
Walter Cooper
Harper Pruett
Ken Barnett
Matthew Payne

UNDERWRITING

Carl Walter
Dale Whittle

EMPLOYEE INJURY

Mike Jarrett
Pete Maddock
Sandra Landers
Ann Jackson
Chemeka Williams
Dorothy Kelly
Georgia Ivey
Gwen Owens
Hugh Gale
Kitty Berrey
Kristi Kelley
Lou Scholl
Paula Cole
Paulette Weeks
Rosanna McHargue
Sirena Sheridan
Sue Willis
Tammy Sasser
Tracy Dumas